§ 1767.41, Interpretation No. 606, Pension Costs), remapping expenses (See § 1767.41, Interpretation No. 613, Mapping Costs), and preliminary survey and investigation charges (See § 1767.17, Interpretation No. 111, Engineering Contracts for System Planning);

(2) The deferral of any current period expense or expenses, on a cumulative basis for the fiscal year, only if a borrower would have met each of its financial tests or coverage ratios that it has covenanted with RUS to meet for that fiscal year, had the deferral not been made;

(3) The deferral of any cost that will be fully amortized within the next 12 succeeding months;

(4) The accelerated amortization of any previously deferred expense; and

(5) The deferral of revenues coincident with a moratorium imposed by the National Rural Electric Cooperative Association on its Retirement and Security Program, provided, however, that the deferral is for the sole purpose of offsetting future pension costs.

(e) RUS will consider approval of specific departures from this part upon submission of:

(1) A detailed description of the proposed departure;

(2) The specific accounting journal entries that will be used including the account number and title, and the dollar amounts where appropriate;

(3) The total dollar amount of the departure and the impact on margins during the time period of the departure; and

(4) Any additional information RUS may deem necessary to adequately evaluate the borrower's request.

(f) RUS will, within 90 days of final receipt of this information, render a decision on the borrower's request for a departure from the prescribed RUS USoA.

(1) If, due to extenuating circumstances, RUS is unable to reach a decision within the required time period, RUS will notify the borrower of the delay within this same 90-day period, and provide a projected decision date.

(2) The requested departure from the prescribed RUS USoA must not be implemented until final approval is granted by RUS.

[58 FR 59825, Nov. 10, 1993, as amended at 60 FR 55429, Nov. 1, 1995; 62 FR 42289, Aug. 6, 1997]

§ 1767.14 Interpretations of the RUS Uniform System of Accounts.

To maintain uniformity in accounting, borrowers must submit questions concerning interpretations of the RUS USoA, in writing, to the Director, BAD, for consideration and decision.

(Approved by the Office of Management and Budget under control number 0572–0002)

[60 FR 55429, Nov. 1, 1995]

§ 1767.15 General instructions.

(a) *Records.* (1) Each utility shall keep its books of account, and all other books, records, and memoranda which support the entries in such books of account so as to be able to furnish readily full information as to any item included in any account.

(2) Each entry shall be supported by such detailed information as will permit ready identification, analysis, and verification of all facts relevant thereto.

(3) The books and records referred to herein include not only accounting records in a limited technical sense, but all other records, such as minute books, stock books, reports, correspondence, memoranda, etc., which may be useful in developing the history of or facts regarding any transaction.

(4) No utility shall destroy any such books or records unless the destruction thereof is permitted by the rules and regulations of RUS in 7 CFR chapter XVII.

(5) In addition to the prescribed accounts, clearing accounts, temporary or experimental accounts, and subdivisions of any accounts, may be kept, provided the integrity of the prescribed accounts is not impaired.

(6) All amounts included in the accounts prescribed herein for electric plant and operating expenses shall be just and reasonable and any payments or accruals by the utility in excess of just and reasonable charges shall be included in Account 426.5, Other Deductions.

(7) The arrangement or sequence of the accounts prescribed herein shall not be controlling as to the arrangement or sequence in report forms which may be prescribed by RUS.

(b) *Numbering system.* (1) The account numbering plan used herein consists of a system of three-digit whole numbers as follows:

100–199 Assets and other debits.
200–299 Liabilities and other credits.
300–399 Plant accounts.
400–432, 434–435 Income accounts.
433, 436–439 Retained earnings accounts.
440–459 Revenue accounts.
500–599 Production, transmission, and distribution expenses.
900–949 Customer accounts, customer service and informational, sales, and general and administrative expenses.

(2) In certain instances, numbers have been skipped in order to allow for possible later expansion or to permit better coordination with the numbering system for other utility departments.

(3) The numbers prefixed to account titles are to be considered as parts of the titles.

(i) Each utility, however, may adopt, for its own purposes, a different system of account numbers provided that the numbers herein prescribed shall appear in the descriptive headings of the ledger accounts and in the various sources of original entry.

(ii) If a utility uses a different group of account numbers and it is not practicable to show the prescribed account numbers in the various sources of original entry, such reference to the prescribed account numbers may be omitted from the various sources of original entry.

(iii) Each utility using different account numbers for its own purposes shall keep readily available, a list of such account numbers which it uses and a reconciliation of such account numbers with the account numbers provided herein.

(iv) The utility's records shall be so kept as to permit ready analysis by prescribed accounts (by direct reference to sources of original entry to the extent practicable) and to permit preparation of financial and operating statements directly from such records at the end of each accounting period according to the prescribed accounts.

(c) *Accounting period.* (1) Each utility shall keep its books on a monthly basis so that for each month, all transactions applicable thereto, as nearly as may be ascertained, shall be entered in the books of the utility.

(2) Amounts applicable or assignable to specific utility departments shall be so segregated monthly.

(3) Each utility shall close its books at the end of each fiscal year unless otherwise authorized by RUS.

(d) *Submission of questions.* To maintain uniformity of accounting, utilities shall submit questions of doubtful interpretation to RUS for consideration and decision.

(e) *Item lists.* (1) Lists of "items" appearing in the texts of the accounts or elsewhere herein are for the purpose of more clearly indicating the application of the prescribed accounting.

(2) The lists are intended to be representative, but not exhaustive.

(3) The appearance of an item in a list warrants the inclusion of the item in the account mentioned only when the text of the account also indicates inclusion inasmuch as the same item frequently appears in more than one list.

(4) The proper entry in each instance must be determined by the texts of the accounts.

(f) *Extraordinary items.* (1) Net income shall reflect all items of profit and loss during the period with the exception of prior period adjustments as described in §1767.15 (g) and long-term debt as described in §1767.15 (q).

(2) Those items related to the effects of events and transactions which have occurred during the current period and which are not typical or customary business activities of the company shall be considered extraordinary items.

(3) They will be events and transactions of significant effect which would not be expected to recur frequently and which would not be considered as recurring factors in any evaluation of the ordinary operating processes of business.

(i) In determining significance, items of a similar nature should be considered in the aggregate.

(ii) Dissimilar items should be considered individually; however, if they are few in number, they may be considered in the aggregate.

(iii) To be considered as extraordinary under the above guidelines, an item should be more than approximately 5 percent of income, computed before extraordinary items.

(iv) RUS approval must be obtained to treat an item of less than 5 percent, as extraordinary. (See Accounts 434 and 435.)

(g) *Prior period items.* (1) Items of profit and loss related to the following shall be accounted for as prior period adjustments and excluded from the determination of net income for the current year:

(i) Correction of an error in the financial statements of a prior year

(ii) Adjustments that result from realization of income tax benefits of preacquisition operating loss carryforwards of purchased subsidiaries.

(2) All other items of profit and loss recognized during the year shall be included in the determination of net income for that year.

(h) *Unaudited items.* (1) Whenever a financial statement is required by RUS, if it is known that a transaction has occurred which affects the accounts but the amount involved in the transaction and its effect upon the accounts cannot be determined with absolute accuracy, the amount shall be estimated and such estimated amount included in the proper accounts.

(2) The utility is not required to anticipate minor items which would not appreciably affect the accounts.

(i) *Distribution of pay and expenses of employees.* Charges to electric plant, operating expense, and other accounts for services and expenses of employees engaged in activities chargeable to various accounts, such as construction, maintenance, and operations, shall be based upon the actual time engaged in the respective classes of work, or in case that method is impracticable, upon the basis of a study of the time actually engaged during a representative period.

(j) *Payroll distribution.* (1) Underlying accounting data shall be maintained so that the distribution of the cost of labor charged direct to the various accounts will be readily available.

(2) Such underlying data shall permit a reasonably accurate distribution to be made of the cost of labor charged initially to clearing accounts so that the total labor cost may be classified among construction, cost of removal, electric operating functions (steam generation, nuclear generation, hydraulic generation, transmission, distribution, etc.) and nonutility operations.

(k) *Accounting on an accrual basis.* (1) The utility is required to keep its accounts on the accrual basis.

(i) This requires the inclusion, in its accounts, of all known transactions of appreciable amount which affect the accounts.

(ii) If bills covering such transactions have not been received or rendered, the amounts shall be estimated and appropriate adjustments made when the bills are received.

(2) When payments are made in advance for items such as insurance, rents, taxes, or interest, the amount applicable to future periods shall be charged to Account 165, Prepayments, and spread over the periods to which applicable, by credits to Account 165, and charges to the accounts appropriate for the expenditure.

(l) *Records for each plant.* (1) Separate records shall be maintained by electric plant accounts of the book cost of each plant owned, including additions by the utility to plant leased from others, and of the cost of operating and maintaining each plant owned or operated.

(2) The term ''plant'' as used herein includes each generating station and each transmission line or appropriate group of transmission lines.

(m) *Accounting for other departments.* (1) If the utility also operates other utility departments, such as gas or water, it shall keep such accounts for the other departments as may be prescribed by proper authority and in the absence of prescribed accounts, it shall keep such accounts as are proper or necessary to reflect the results of operating each such department.

(2) It is not intended that proprietary and similar accounts which apply to the utility as a whole shall be departmentalized.

(n) *Transactions with associated companies.* (1) Each utility shall keep its accounts and records so as to be able to furnish accurately and expeditiously statements of all transactions with associated companies.

(2) The statements may be required to show the general nature of the transactions, the amounts involved therein and the amounts included in each account prescribed herein with respect to such transactions. Transactions with associated companies shall be recorded in the appropriate accounts for transactions of the same nature. Nothing herein contained, however, shall be construed as restraining the utility from subdividing accounts for the purpose of recording separately transactions with associated companies.

(o) *Contingent assets and liabilities.* (1) Contingent assets represent a possible source of value to the utility contingent upon the fulfillment of conditions regarded as uncertain.

(2) Contingent liabilities include items which may, under certain conditions, become obligations of the utility but which are neither direct nor assumed liabilities at the date of the balance sheet. The utility shall be prepared to give a complete statement of significant contingent assets and liabilities (including cumulative dividends on preference stock) in its audited financial statements; its RUS Form 7, Financial and Statistical Report, or its RUS Form 12, Operating Report—Financial; and at such other times as may be requested by RUS.

(p) *Separate accounts or records for each licensed project.* The accounts or records of each borrower shall be so kept as to show for each project (including pumped storage) under license:

(1) The actual legitimate original cost of the project, including the original cost of the original project, the original cost of additions thereto and betterments thereof, and credits for property retired from service, as determined under RUS's regulations in 7 CFR chapter XVII;

(2) The charges for operation and maintenance of the project property directly assignable to the project;

(3) The credits and debits to the depreciation and amortization accounts, and the balances in such accounts; and

(4) The credits and debits to the operating revenue, income, and retained earnings accounts that can be identified with and directly assigned to the project.

NOTE: The purpose of this instruction is to insure that accounts or records are currently maintained by each borrower from which reports may be made to RUS for use in determining the net investment in each licensed project. The instruction covers only the debit and credit items appearing in the borrower's accounts which may be identified with and assigned directly to any project. In the determination of the net investment, allocations of items affecting the net investment may be required where direct assignment is not practicable.

(q) *Long-term debt: premium, discount and expense, and gain or loss on reacquisition*—(1) *Premium, discount and expense.* (i) A separate premium, discount and expense account shall be maintained for each class and series of long-term debt (including receivers' certificates) issued or assumed by the utility.

(ii) The premium will be recorded in Account 225, Unamortized Premium on Long-Term Debt, the discount will be recorded in Account 226, Unamortized Discount on Long-Term Debt—Debit, and the expense of issuance shall be recorded in Account 181, Unamortized Debt Expense.

(iii) The premium, discount and expense shall be amortized over the life of the respective issues under a plan which will distribute the amounts equitably over the life of the securities.

(A) The amortization shall be charged or credited on a monthly basis with the amounts relating to discount and expense charged to Account 428, Amortization of Debt Discount and Expense.

(B) The amounts relating to premium shall be credited to Account 429, Amortization of Premium on Debt—Credit.

(2) *Reacquisition, without refunding.* (i) When long-term debt is reacquired or redeemed without being converted into another form of long-term debt and when the transaction is not in connection with a refunding operation (primarily redemptions for sinking fund purposes), the difference between the amount paid upon reacquisition and the face value; plus any unamortized

premium less any related unamortized debt expense and reacquisition costs; or less any unamortized discount, related debt expense and reacquisition costs applicable to the debt redeemed, retired and cancelled, shall be included in Account 189, Unamortized Loss on Reacquired Debt, or Account 257, Unamortized Gain on Reacquired Debt, as appropriate.

(ii) The utility shall amortize the recorded amounts equally on a monthly basis over the remaining life of the respective security issues (old original debt).

(iii) The amount so amortized shall be charged to Account 428.1, Amortization of Loss on Reacquired Debt, or credited to Account 429.1, Amortization of Gain on Reacquired Debt—Credit, as appropriate.

(3) *Reacquisition, with refunding.* (i) When the redemption of one issue or series of bonds or other long-term obligations is financed by another issue or series before the maturity date of the first issue, the difference between the amount paid upon refunding and the face value; plus any unamortized premium less related debt expense or less any unamortized discount and related debt expense, applicable to the debt refunded, shall be included in Account 189, Unamortized Loss on Reacquired Debt, or Account 257, Unamortized Gain on Reacquired Debt, as appropriate.

(ii) The utility may elect to account for such amounts as follows:

(A) Write them off immediately when the amounts are insignificant;

(B) Amortize them by equal monthly amounts over the remainder of the original life of the issue retired; or

(C) Amortize them by equal monthly amounts over the life of the new issue.

(iii) Once an election is made, it shall be applied on a consistent basis.

(iv) The amounts in paragraphs (q)(3)(ii)(A), (B), or (C) of this section shall be charged to Account 428.1, Amortization of Loss on Reacquired Debt, or credited to Account 429.1, Amortization of Gain on Reacquired Debt—Credit, as appropriate.

(4) Under methods in paragraphs (q)(3)(ii)(B) and (C) of this section, the increase or reduction in current income taxes resulting from the reacquisition should be apportioned over the remainder of the original life of the issued retired or over the life of the new issue, as appropriate, as directed more specifically in paragraphs (q)(5) and (6) of this section.

(5) When the utility recognizes the loss in the year of reacquisition as a tax deduction, Account 410.1, Provision for Deferred Income Taxes, Utility Operating Income, shall be debited and Account 283, Accumulated Deferred Income Taxes—Other, shall be credited with the amount of the related tax effect, such amount to be allocated to the periods affected in accordance with the provisions of Account 283.

(6) When the utility chooses to recognize the gain in the year of reacquisition as a taxable gain, Account 411.1, Provision for Deferred Income Taxes—Credit, Utility Operating Income, shall be debited with the amount of the related tax effect, such amount to be allocated to the periods affected in accordance with the provisions of Account 190, Accumulated Deferred Income Taxes.

(7) When the utility chooses to use the optional privilege of deferring the tax on the gain attributable to the reacquisition of debt by reducing the depreciable basis of utility property for tax purposes, pursuant to Section 108 of the Internal Revenue Code (26 U.S.C. 108), the related tax effects shall be deferred as the income is recognized for accounting purposes, and the deferred amounts shall be amortized over the life of the associated property on a vintage year basis.

(i) Account 410.1, Provision for Deferred Income Taxes, Utility Operating Income, shall be debited, and Account 282, Accumulated Deferred Income Taxes—Other Property, shall be credited with an amount equal to the estimated income tax effect applicable to the portion of the income, attributable to reacquired debt, recognized for accounting purposes during the period.

(ii) Account 282 shall be debited and Account 411.1, Provision for Deferred Income Taxes—Credit, Utility Operating Income, shall be credited with an amount equal to the estimated income tax effects, during the life of the property, attributable to the reduction in the depreciable basis for tax purposes.

(8) The tax effects relating to gain or loss shall be allocated as above to utility operations except in cases where a portion of the debt reacquired is directly applicable to nonutility operations.

(i) In that event, the related portion of the tax effects shall be allocated to nonutility operations.

(ii) Where it can be established that reacquired debt is generally applicable to both utility and nonutility operations, the tax effects shall be allocated between utility and nonutility operations based on the ratio of net investment in utility plant to net investment in nonutility plant.

(9) Premium, discount, or expense on debt shall not be included as an element in the cost of construction or acquisition of property (tangible or intangible), except under the provisions of Account 432, Allowance for Borrowed Funds Used During Construction—Credit.

(10) *Alternate method.* Where a regulatory authority or a group of regulatory authorities having prime rate jurisdiction over the utility specifically disallows the rate principle of amortizing gains or losses on reacquisition of long-term debt without refunding, and does not apply the gain or loss to reduce interest charges in computing the allowed rate of return for rate purposes, the following alternate method may be used to account for gains or losses relating to reacquisition of long-term debt, with or without refunding:

(i) The difference between the amount paid upon reacquisition of any long-term debt and the face value, adjusted for unamortized discount, expenses or premium, as the case may be, applicable to the debt redeemed shall be recognized currently in income and recorded in Account 421, Miscellaneous Nonoperating Income, or Account 426.5, Other Deductions.

(ii) When this alternate method of accounting is used, the utility shall include a footnote to each financial statement, prepared for public use, explaining why this method is being used along with the treatment given for ratemaking purposes.

(r) *Comprehensive interperiod income tax allocation.* (1) Where there are timing differences between the periods in which transactions affect taxable income and the periods in which they enter into the determination of pretax accounting income, the income tax effects of such transactions are to be recognized in the periods in which the differences between book accounting income and taxable income arise and in the periods in which the differences reverse using the deferred tax method.

(2) Comprehensive interperiod tax allocation should be followed whenever transactions enter into the determination of pretax accounting income for the period even though some transactions may affect the determination of taxes payable in a different period.

(3) Utilities are not required to utilize comprehensive interperiod income tax allocation until the deferred income taxes are included as an expense in the rate level by the regulatory authority having rate jurisdiction over the utility.

(4) Where comprehensive interperiod tax allocation accounting is not practiced the utility shall include as a note to each financial statement, prepared for public use, a footnote explanation setting forth the utility's accounting policies with respect to interperiod tax allocation and describing the treatment for rate making purposes of the tax timing differences by regulatory authorities having rate jurisdiction.

(5) Should the utility be subject to more than one agency having rate jurisdiction, its accounts shall appropriately reflect the ratemaking treatment (deferral or flow through) of each jurisdiction.

(6) Once comprehensive interperiod tax allocation has been initiated either in whole or in part it shall be practiced on a consistent basis and shall not be changed or discontinued without prior RUS approval.

(7) Tax effects deferred currently will be recorded as deferred debits or deferred credits in Accounts 190, Accumulated Deferred Income Taxes; 281, Accumulated Deferred Income Taxes—Accelerated Amortization Property; 282, Accumulated Deferred Income Taxes—Other Property, and 283, Accumulated Deferred Taxes—Other, as appropriate.

(8) The resulting amounts recorded in these accounts shall be disposed of as

prescribed in this system of accounts or as otherwise authorized by RUS.

(s) *Criteria for classifying leases.* (1) If, at its inception, a lease meets one or more of the following criteria, the lease shall be classified as a capital lease:

(i) The lease transfers ownership of the property to the lessee by the end of the lease term.

(ii) The lease contains a bargain purchase option.

(iii) The lease term is equal to 75 percent or more of the estimated economic life of the leased property. However, if the beginning of the lease term falls within the last 25 percent of the total estimated economic life of the leased property, including earlier years of use, this criterion shall not be used for purposes of classifying the lease.

(iv) The present value at the beginning of the lease term of the minimum lease payments, excluding that portion of the payments representing executory costs such as insurance, maintenance, and taxes to be paid by the lessor, including any profit thereon, equals or exceed 90 percent of the excess of the fair value of the leased property to the lessor at the inception of the lease over any related investment tax credit retained by the lessor and expected to be realized by lessor.

(A) However, if the beginning of the lease term falls within the last 25 percent of the total estimated economic life of the leased property, including earlier years of use, this criterion shall not be used for purposes of classifying the lease.

(B) The lessee utility shall compute the present value of the minimum lease payments using its incremental borrowing rate, unless it is practicable for the utility to learn the implicit rate computed by the lessor, and the implicit rate computed by the lessor is less than the lessee's incremental borrowing rate. If both of those conditions are met, the lessee shall use the implicit rate.

(2) If, at any time, the lessee and lessor agree to change the provisions of the lease, other than by renewing the lease or extending its term, in a manner that would have resulted in a different classification of the lease under the criteria in paragraph (s)(1) of this section had the changed terms been in effect at the inception of the lease, the revised agreement shall be considered as a new agreement over its term, and the criteria in paragraph (s)(1) of this section shall be applied for purposes of the expiration of the existing lease term, such as the exercise of a lease renewal option other than those already included in the lease term, shall be considered as a new agreement and shall be classified according to the above provision. Changes in estimates (for example, changes in estimates of the economic life or of the residual value of the leased property) or changes in circumstances (for example, default by the lessee) shall not give rise to a new classification of a lease for accounting purposes.

(t) *Accounting for leases.* (1) All leases shall be classified as either capital or operating leases.

(2) The utility shall record a capital lease as an asset in Account 101.1, Property Under Capital Leases, and Account 120.6, Nuclear Fuel Under Capital Leases; as appropriate, and an obligation in Account 227, Obligations Under Capital Leases—Noncurrent, or Account 243, Obligations Under Capital Leases—Current, at an amount equal to the present value at the beginning of the lease term of minimum lease payments during the lease term, excluding that portion of the payments representing executory costs such as insurance, maintenance, and taxes to be paid by the lessor, together with any profit thereon. However, if the amount so determined exceeds the fair value of the leased property at the inception of the lease, the amount recorded as the asset and obligation shall be the fair value.

(3) Rental payments on all leases shall be charged to rent expense, fuel expense, construction work in progress, or other appropriate accounts as they become payable.

(4) For a capital lease, for each period during the lease term, the amounts recorded for the asset and obligation shall be reduced by an amount equal to the portion of each lease payment that would have been allocated to the reduction of the obligation, if the payment had been treated as a payment on an installment obligation (liability) and

allocated between interest expense and a reduction of the obligation so as to produce a constant periodic rate of interest on the remaining balance.

(u) *Allowances*. (1) Title IV of the Clean Air Act Amendments of 1990, Pub. L. 101–549, 104 Stat. 2399, 2584 (42 U.S.C. 7407 and 42 U.S.C. 7651), provides for the issuance of allowances as a means to limit the emissions of certain airborne pollutants by various entities, including utilities. Utilities owning allowances, other than those acquired for speculative purposes, shall account for such allowances at cost in Account 158.1, Allowance Inventory, or Account 158.2, Allowances Withheld, as appropriate. Allowances acquired for speculative purposes and identified as such in contemporaneous records at the time of purchase shall be accounted for in Account 124, Other Investments.

(2) When purchased, allowances become eligible for use in different years, and the allocation of the purchase cost cannot be determined by fair value, the purchase cost allocated to allowances of each vintage shall be determined through use of a present-value based measurement. The interest rate used in the present-value measurement shall be the utility's incremental borrowing rate, in the month in which the allowances are acquired, for a loan with a term similar to the period that it will hold the allowances and in an amount equal to the purchase price.

(3) The underlying records supporting Account 158.1 and Account 158.2 shall be maintained in sufficient detail so as to provide the number of allowances and the related cost by vintage year.

(4) Issuances from inventory included in Account 158.1 and Account 158.2 shall be accounted for on a vintage basis using a monthly weighted-average method of cost determination. The cost of eligible allowances not used in the current year shall be transferred to the vintage for the immediately following year.

(5) Account 158.1 shall be credited and Account 509, Allowances, debited so that the cost of the allowances to be remitted for the year is charged to expense monthly based on each month's emissions. This may, in certain circumstances, require allocation of the cost of an allowance between months on a fractional basis.

(6) In any period in which actual emissions exceed the amount allowable based on eligible allowances owned, the utility shall estimate the cost to acquire the additional allowances needed and charge Account 158.1 with the estimated cost. This estimated cost of future allowance acquisitions shall be credited to Account 158.1 and charged to Account 509 in the same accounting period as the related charge to Account 158.1. Should the actual cost of these allowances differ from the estimated cost, the differences shall be recognized in the then-current period's inventory issuance cost.

(7) Any penalties assessed by the Environmental Protection Agency for the emission of excess pollutants shall be charged to Account 426.3, Penalties.

(8) Gains on dispositions of allowances, other than allowances held for speculative purposes, shall be accounted for as follows. First, if there is uncertainty as to the regulatory treatment, the gain shall be deferred in Account 254, Other Regulatory Liabilities, pending resolution of the uncertainty. Second, if there is certainty as to the existence of a regulatory liability, the gain will be credited to Account 254, with subsequent recognition in income when reductions in charges to customers occur or the liability is otherwise satisfied. Third, all other gains will be credited to Account 411.8, Gains from Disposition of Allowances. Losses on disposition of allowances, other than allowances held for speculative purposes, shall be accounted for as follows. Losses that qualify as regulatory assets shall be charged directly to Account 182.3, Other Regulatory Assets. All other losses shall be charged to Account 411.9, Losses from Disposition of Allowances. (See the definition of regulatory assets and liabilities.) Gains or losses on disposition of allowances held for speculative purposes shall be recognized in Account 421, Miscellaneous Nonoperating Income, or Account 426.5, Other Deductions, as appropriate.

(9) The costs and benefits of exchange-traded allowance futures contracts used to protect the utility from the risk of unfavorable price changes

(''hedging transactions'') shall be deferred in Account 186, Miscellaneous Deferred Debits, or Account 253, Other Deferred Credits, as appropriate. Such deferred amounts shall be included in Account 158.1, Allowance Inventory, in the month in which the related allowances are acquired, sold or otherwise disposed of. Where the costs or benefits of hedging transactions are not identifiable with specific allowances, the amounts shall be included in Account 158.1 when the futures contract is closed. The costs and benefits of exchange-traded allowance futures contracts entered into as a speculating activity shall be charged or credited to Account 421, Miscellaneous Nonoperating Income, or Account 426.5, Other Deductions, as appropriate.

§ 1767.16 Electric plant instructions.

(a) *Classification of electric plant at effective date of system of accounts.* (1) The electric plant accounts provided herein are the same as those contained in the prior system of accounts except for inclusion of accounts for nuclear production plant and some changes in classification in the general equipment accounts. Except for these changes, the balances in the various plant accounts, as determined under the prior system of accounts, should be carried forward. Any remaining balance of plant which has not yet been classified, pursuant to the requirements of the prior system, shall be classified in accordance with the following instructions.

(2) The cost to the utility of its unclassified plant shall be ascertained by analysis of the utility's records. Adjustments shall not be made to record in utility plant accounts amounts previously charged to operating expenses or to income deductions in accordance with the USoA in effect at the time or in accordance with the discretion of management as exercised under a USoA, or under accounting practices previously followed.

(3) The detailed electric plant accounts (301 to 399, inclusive) shall be stated on the basis of cost to the utility of plant constructed by it and the original cost, estimated if not known, of plant acquired as an operating unit or system. The difference between the original cost, as above, and the cost to the utility of electric plant after giving effect to any accumulated provision for depreciation or amortization shall be recorded in Account 114, Electric Plant Acquisition Adjustments. The original cost of electric plant shall be determined by analysis of the utility's records or those of the predecessor or vendor companies with respect to electric plant previously acquired as operating units or systems and the difference between the original cost so determined, less accumulated provisions for depreciation and amortization and the cost to the utility with necessary adjustments for retirements from date of acquisition, shall be entered in Account 114, Electric Plant Acquisition Adjustments. Any difference between the cost of electric plant and its book cost, when not properly includible in other accounts, shall be recorded in Account 116, Other Electric Plant Adjustments.

(b) *Electric plant to be recorded at cost.* (1) All amounts included in the accounts for electric plant acquired as an operating unit or system, except as otherwise provided in the texts of the intangible plant accounts, shall be stated at the cost incurred by the person who first devoted the property to utility service. All other electric plant shall be included in the accounts at the cost incurred by the utility except for property acquired by lease which qualifies as capital lease property under §1767.15 (s), Criteria for Classifying Leases, and is recorded in Account 101.1, Property Under Capital Lease, or Account 120.6, Nuclear Fuel Under Capital Leases. Where the term ''cost'' is used in the detailed plant accounts, it shall have the meaning stated in this paragraph (b).

(2) When the consideration given for property is other than cash, the value of such consideration shall be determined on a cash basis (see, however, the definition of cost in §1767.10). In the entry recording such transition, the actual consideration shall be described with sufficient particularity to identify it. The utility shall be prepared to furnish RUS the particulars of its determination of the cash value of the consideration if other than cash.

(3) When property is purchased under a plan involving deferred payments, no